

13 October 2016

Address by Chairman Lindsay Maxsted and Chief Executive Officer Scott Charlton

Transurban 2016 Annual General Meetings

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Please see the attached address to be delivered by the Chairman and the Chief Executive Officer to security holders at this morning's Annual General Meetings.

ASR

Amanda Street
Company Secretary

Investor enquiries
Jessica O'Brien
Investor Relations Manager
+61 3 8656 8364

Classification

Public

Transurban Group

Transurban International Limited
ABN 90 121 746 825

Transurban Holdings Limited

ABN 86 098 143 429

Transurban Holding Trust

ABN 30 169 362 255

ARSN 098 807 419

corporate@transurban.com

www.transurban.com

Level 23

Tower One, Collins Square

727 Collins Street

Docklands

Victoria 3008 Australia

Telephone +613 8656 8900

Facsimile +613 9649 7380

Chairman's Address

Lindsay Maxsted

Good morning ladies and gentlemen, and welcome to the 2016 Transurban Annual General Meetings.

My name is Lindsay Maxsted, and I am the Chair of the Transurban Group.

On behalf of Transurban, I would like to acknowledge the Traditional Owners of Country throughout Australia and recognise the continuing connection to the lands, waters and communities. We pay our respect to Aboriginal and Torres Strait Islander cultures and to elders both past and present.

Before we start today's meetings, can I please ask you to ensure your mobile phones are turned off or switched to silent.

I also want to make sure you are familiar with the evacuation procedures that we will follow in the unlikely event of an emergency.

I ask you to take the time to familiarise yourself with the exits in the rooms.

If the evacuation alarm sounds, the venue's fire wardens will enter the room and direct us to the emergency evacuation points, shown on the screen behind me. The wardens will also tell us where to assemble once we leave the building.

We have a signer for the hearing impaired with us today. Can I ask if we have any people who are hearing-impaired in the audience today?

This morning we are holding three meetings concurrently. This is the Annual General Meeting for Transurban Holdings Limited, Transurban International Limited, and Transurban Holding Trust.

We have a quorum, so I declare the meetings open.

The Notice of Meetings was distributed to all of you. With your consent, I will take that document as read.

I would now like to introduce the Directors and our Company Secretary.

On my right is our Chief Executive Officer, Scott Charlton, and Directors, Christine O'Reilly, Rodney Slater, and Neil Chatfield.

On my left are Company Secretary, Amanda Street, and Directors, Bob Edgar, Sam Mostyn, and Peter Scott.

Both Sam and I are standing for re-election today so we will be addressing the meetings later in that capacity.

Peter was appointed to the Board in March this year and is standing for election today.

Peter is a highly regarded non-executive director with considerable expertise in the engineering and finance sectors. Peter will expand on his experience later in the meetings.

This year marks 20 years since Transurban listed on the Australian Securities Exchange as a newly formed business responsible for delivering CityLink in Melbourne, one of the largest civil engineering projects in this country and one of the most technologically advanced roads in the world.

What a remarkable journey it has been, from a business conceived with the single-purpose of developing and operating CityLink, to the business we are two decades on providing critical road transport networks in Australia's three largest cities and in the United States capital.

Today, not only do we have an outstanding portfolio of 15 assets, we have 9 projects in development across our markets that will improve our portfolio performance and customer experience.

Our success is underpinned by a clear strategy and exceptional employees who consistently produce positive outcomes for our Government partners, customers, communities and, you, our security holders.

Financial year 2016 has been no exception. It has been another excellent year for Transurban with significant achievements across all elements of the business.

This year, our toll revenue grew by 17.5% to \$1.9 billion underpinned by an overall 8% increase in traffic across the networks.

EBITDA, our earnings before interest, tax, depreciation and amortisation, increased by 14.8% on the previous year to \$1.48 billion, delivering a 20.6% increase in free cash.

Our full-year distribution of 45.5 cents per stapled security reflected the upgraded guidance we announced in February as a result of our ongoing strong operational performance. This again included a 7 cent fully franked component.

For the year ending 30 June 2017, the Board has issued distribution guidance of 50.5 cents per security, an 11% increase on this year's distribution.

We have achieved more than 10% compound annual growth in distributions since 2009 and we remain focused on delivering consistent growth, which, of course, is central to our investment proposition.

Our guidance for next year reflects the Board's confidence in our portfolio and our capacity to deliver a substantial project pipeline.

Scott will take you through the significant activity in operations and development projects in each of our markets in his presentation.

In November last year, Transurban Queensland, in which we hold a 62.5% stake, acquired AirportLinkM7, which comprises 6.7km twin tunnels in the northern suburbs of Brisbane. It is a valuable addition to our portfolio, connecting two of our existing assets to the airport and the trade coast.

We acquired AirportLinkM7 for \$1.87 billion, which represented 51% of the build cost, and funded our contribution through a fully underwritten pro rata accelerated renounceable rights offer to eligible security holders. We thank you for your support in the capital raising.

The asset is already performing well and has given us the opportunity to integrate services and strengthen our offering to customers.

1996, the year we listed, was also the official ground breaking for CityLink. Back then it was sometimes referred to as the "triple bypass" because it would link three of Melbourne's busiest freeways, bypass the city and relieve inner-city roads, some of which were operating at 80 per cent above their design capacity.

Today CityLink is still our flagship asset and the most critical piece of road infrastructure in Melbourne creating billions in economic benefits and improving travel time, reliability and liveability standards.

As Melbourne has grown, so has the need for CityLink to evolve. Over the years we have provided approximately \$2 billion of investment into the network and our next upgrade

projects - the western link widening and the Western Distributor – will provide much-needed, ongoing improvements to address the critical transportation challenges facing Melbourne.

The evolution of CityLink exemplifies our strategy to be the partner of choice to Governments and provide effective and innovative urban transport solutions that strengthen the productivity and liveability of our cities.

This, of course, applies to all our road networks.

From our earliest days we knew that providing effective transport networks would be more than just a strategy. It would, indeed, be our responsibility to create value for our partners in government, our communities, customers and our security holders.

If our roads are not efficient, it impacts the community. It impacts our customers and our value-for-money proposition, which in turn, impacts our returns to security holders.

Our business vision - to strengthen communities through transport – reinforces our strategy and by achieving that vision we will all share in the value created by safe and efficient transport networks.

We take the responsibility of managing the concessions in the cities we operate very seriously, and recognise the need to work collaboratively with our government partners.

We recognise the importance of having strong governance arrangements around these concessions, and, where required, work with independent auditors to ensure all requirements of the concessions are monitored and assessed appropriately.

This week we have released two important documents that highlight our commitment to achieving our vision – our 11th Sustainability Report and the full report into our Road Usage Study, which we have been conducting in Melbourne over the past 18 months.

The Melbourne Road Usage Study was the first real-world test of user-pays road charging in Australia and was designed to gauge motorists' understanding of the current road funding system and assess their preferences towards various user-pays options.

We believe that the current road funding system that relies on fuel excise as its major revenue source is unsustainable and inequitable as we move towards more fuel-efficient and electric vehicles.

Significant population growth is forecast for our largest cities over the next 20 years and relying on the current system will put further pressure on transport networks, many of which already have major congestion issues.

Our study was set up in two stages. The first was designed to measure participants' responses to a transparent user-pays charging as an alternative to the current unsustainable funding system. The second stage tested how participants responded to varied price signals that are designed to manage demand for roads in highly congested areas or at peak travel times.

The results indicate that it is possible to achieve a transparent and sustainable funding source that keeps pace with demand. Importantly, Australians do seem to be open to discussing a new fairer and more transparent way of paying for their road use.

It is critical that we, at Transurban, understand and anticipate issues that will affect our cities and the efficiency of our network, and, therefore, in turn, our business.

We believe the Road Usage Study will provide valuable insights from the community into what should be considered in the design of any new usage system.

We want to help shape the future. It is critical to providing opportunities to maximise the efficiency of our existing assets.

Today we also released our Sustainability Report, which you will find on our website. There are brochures providing a snapshot of the report outside in the foyer.

The need to produce sustainable outcomes in all that we do has been embedded in our business from our very beginning.

The measure of success for the CityLink project was not just to achieve the engineering feat but to ensure we set new standards in environmental management and community consultation. These standards of excellence shaped our business and are integral to how we operate today.

This year we have been named on the Dow Jones Sustainability World Index, which provides a global benchmark for corporate sustainability leadership.

We are one of only 11 global transport sector companies and the only transport company in Australia to be included.

The listing is testimony to our achievements in this area and independent recognition of our efforts to Be Good Neighbours, Use Less and Think Long Term – the three pillars of our sustainability strategy.

Our programs and initiatives under these three pillars span our entire business and range from our Grants Programs for community groups and innovative ideas to our energy-efficiency targets and extensive suite of customer engagement and safety initiatives.

We build sustainability targets in to all aspects of our projects as well as our daily operations.

On our Australian projects we are aiming to achieve a rating of at least excellent in design and “as built” under criteria set by the Infrastructure Sustainability Council of Australia. To achieve this we will be measured in categories ranging from stakeholder participation, community, health and well-being to our management of procurement, ecology, resources, emissions and waste.

Our NorthConnex project in Sydney is an excellent example of how we have embedded sustainability outcomes into our processes from the outset. We were recently notified that we had achieved a rating of ‘Leading’ for the project’s design phase through the Infrastructure Sustainability Council of Australia.

This is the highest rating possible under the scheme and the highest rating for a road project to date.

A more flexible approach to procurement for NorthConnex has given us a practical design and sustainable solution to cater for future growth with the tunnel’s two lanes having the ability to go to three.

We also did not prescribe an alignment when tendering for the design of the tunnel, and this has resulted in a minimum-incline tunnel, which, in turn, will allow vehicles to maintain normal travel speed. This means better fuel efficiency, reduced emissions and safer travel with less need for lane changing.

As the project progresses we continue to look for ways to build on our commitment to a holistic sustainable approach. Just recently we reached agreement with authorities to use spoil from the tunnel to help rehabilitate the nearby Hornsby Quarry into a recreational facility for the local community.

This initiative will not only create an enduring open space but provide an environmentally beneficial use for excavated spoil, and reduce the distance trucks need to travel to offload the spoil by 3.7 million kilometres compared to the next best alternative site.

We also work with our construction partners on all of our projects to ensure the design and long-term management of the asset takes into consideration the potential impacts of a range of projected climate change scenarios from the present day to 2040, 2070 and 2090.

We recognise that extreme weather has the potential to damage infrastructure and impact our business and customers and have also completed climate change risk assessments for all assets.

Last year we introduced a program called Motorscapes, which challenges the community to come up with creative ideas on how to regenerate disused sites alongside our assets.

One of our most visible projects is taking shape here in Melbourne at Power Street in the CBD, next to CityLink.

This first project, Habitat Filter, was devised by a group of Melbourne designers in a local competition. Once completed, it will transform the Power Street location with an iconic artwork installation and native landscaping, in conjunction with Landcare Australia.

On the customer service side of our business, we now have more than 5 million account holders across the US and Australia. We respond to more than 13,000 calls a day, with more than 95% of queries resolved on the first call, and our customer websites have approximately 62,000 visits a day.

Our Customer Engagement Program in Australia has focused on increasing our understanding of customers' expectations. We have identified a number of opportunities to enhance our customer service through face-to-face consultation, call centre evaluation, market research and customer data analysis.

We also continue to develop our products, particularly in the mobile space, as more than half of our customers now access their accounts on mobile devices.

In the USA, we have continued our Customer Care and First Time Forgiveness programs. While more than 95% of motorists travel on the Express Lanes without any issues, this program has been successful in proactively alerting customers to any potential issues with unpaid tolls.

This year Transurban was also awarded the Workplace Gender Equality Agency's Employer of Choice for Gender Equality for the second consecutive year, the only organisation in our sector to be recognised.

Our goal for this year's diversity program was to focus specifically on gender equality at all levels across the Group, so the independent recognition of our progress is extremely pleasing.

As part of our program this year, we have run diversity and inclusion programs across all our offices to build employees' awareness of the role that diversity of thought, experience, education, age, gender and cultural background play in a strong organisational culture and high-performing teams.

In closing I would like to comment on Board renewal.

Succession planning is a critical task for any Board. Succession has been an item on the Board agenda for some time now as my tenure and the tenure of certain other Board members approaches 9 years. An orderly and coordinated succession plan for the next 2 to 4 years is in development.

A search process is well under way for another new Director to augment the current Board. We anticipate being in a position to announce an appointment shortly.

In relation to my tenure, if re-elected today, it is possible that as part of orderly succession planning for the Board, and in acknowledging that I am the longest-serving Director, I may not serve a full term of three years.

I would like to thank the management team and all of our employees for their commitment and effort that has ensured the continued success of Transurban. It has been a tremendous year and we look forward to another busy year ahead with an extensive program of work in all areas of the business.

And, importantly, thanks to you our investors for your continued support.

I will now hand over to Scott for an update on our activities over the previous year.

Thank you, Scott.

Chief Executive Officer's Address

Scott Charlton

Thanks Lindsay.

As Lindsay stated, it has been another successful year for Transurban. I would like to thank our employees who have contributed to this outstanding result. It is my colleagues who deliver our operational excellence and the growth opportunities that sustain our business performance. And this sustained performance enables our continued distribution growth.

Shortly, I will outline the key operational results over the past year, but first, I would like to talk about the relationships that we see as critical for our continued success.

As we all know, congestion and mobility are increasing problems in our cities. As custodians of our roads, it is our responsibility to work to relieve this congestion and enhance mobility to ensure our customers receive value for money.

We are conscious of this privileged position and the responsibility we have to improve the liveability of our cities. As Lindsay mentioned our vision statement is to strengthen communities through transport. We are successful in this endeavor when the interrelationship between the value created by Transurban for the community, and the value created for Transurban by our stakeholders is clear.

Our most significant relationship is with our customers, both at an individual and commercial level. Customers provide us with patronage to sustain our business. In return, we provide for them time savings, improved safety, greater reliability, ongoing network investment and continual service improvements.

Our government partners are critical, as they provide us with an opportunity to operate our regulated business model. Operating parameters such as toll levels, charges, escalation and operating performance requirements are defined upfront, when we make the investment, for the life of our concessions. In return we provide them with a partner who has a long-term interest in the assets, world-class operations, capital to free government budgets for alternative investments, we accelerate infrastructure delivery and we provide specialist skills.

From you, our investors, we receive capital to build our business and we thank you for your support. In return, we provide an opportunity to invest into large-scale infrastructure, and the long-term economic prospects of Australia and the United States, in an asset class with very stable returns. Approximately 70 per cent of our investors are Australians or Australian super

funds with our largest security holder representing over 400,000 super fund members of Australia's higher education and research sector.

Finally, our relationship with our cities where we operate. As a business, we benefit from the permission we have been granted to operate in our communities. Communities in return benefit from reduced congestion, enhanced connectivity and mobility, sustainability initiatives, localised engagement on projects and social investment through our extensive program of partnerships, sponsorships, grants and donations.

In addition, benefits flow to our cities through our contribution to local economies. Australian toll roads have provided an estimated \$52 billion in direct economic benefits to business, households and the environment over a 10-year period. And have been responsible for creating an estimated 5,600 jobs not including the tens of thousands of constructions jobs created at the time of investment.

This interrelationship between Transurban and our stakeholders underpins our standing in the community, and we work hard to deliver value to all stakeholders.

We also continue to be an active contributor to transport policy, with the final results of our Melbourne Road Usage Study released to market this week. While we believe the long-term benefits to the community of a user-pays system are clear, we were able to take a number of learnings from the study to immediately apply to our business.

Specifically, we have shown how the latest technology can be applied. The devices in participants' cars were the first application of GPS on-board diagnostics in an Australian pilot, and is something we are considering with our larger clients who are already GPS enabled.

We developed and deployed prototype road usage measurements as well as rating and analysis systems as part of our ongoing data analytics effort to drive more efficiency.

The study also provided insights into how drivers want to access information, which will be valuable as we strive to continually improve our customer service. This has in turn influenced things like the design of our new CityLink app, which now has 70,000 downloads.

Now moving to the performance of our underlying business.

Sydney continues to be a strong market. In the past financial year traffic increased by 7.4%, which translated into revenue growth of 14%. We have recently invested \$1.1 billion to add capacity to the M5 and M2, which has resulted in significantly improved travel times.

Sydney is performing well into the first quarter of this year showing traffic growth of 3.4% and revenue growth of 7.9%.

On the development side of our business, we are now over a year into construction of NorthConnex a \$3 billion, 9 kilometre, dual-lane tunnel in Northern Sydney. I'm pleased to say the project remains on time and on budget with 8 road headers currently deployed. But I am exceptionally pleased from a safety perspective, we have now achieved over 2.1 million contractor hours without a Lost Time Injury.

This project is expected to create 8,700 jobs and will inject around \$4 billion into the economy. This link will improve connectivity for the community, linking the M1 to the M2 Motorway at West Pennant Hills.

Once complete, it will reduce travel times by approximately 15 minutes, allowing motorists to bypass up to 21 sets of traffic lights and remove up to 5,000 trucks per day off Pennant Hills Road.

Moving to Melbourne. Last year, CityLink delivered traffic growth of 1% which translated into revenue growth of 7.3%. This asset has been impacted by disruption from our \$1.3 billion CityLink Tulla Widening project which commenced 12 months ago.

The disruption has continued into the September quarter with traffic declining 0.5% but revenue growth of 2.6%. A critical focus of the project has been to mitigate the impact of construction works. We are scheduled to complete this project in early 2018, and once completed we expect travel-time savings of up to 30 minutes for a round trip from the airport to the city and importantly a reduction in casualty crashes of up to 20 per cent. So this upgrade will provide significant benefits to our customers and Melbourne.

The \$5.5 billion Western Distributor Project, which is in stage 4 of the government's market lead proposal, is progressing well and works have commenced on the Monash Freeway Upgrade section

The reference design for the Western Distributor section, which includes widening the West Gate Freeway, a new road tunnel and connections to the Port, CityLink and city north has been issued to market with design and construction tendering moving forward with three world-class consortia. We remain on track to reach financial close in late 2017.

The Western Distributor, together with the Monash Freeway Upgrade and Webb Dock access improvements, will benefit the entire road network and liveability of Melbourne, not just the western suburbs.

It will provide a much-needed second river crossing to relieve the West Gate Bridge and slash travel times to and from the west, south east and the Port, while removing up to 75 per cent of trucks from local roads.

The project also provides more flexibility for access to the city from the west, increasing reliability of travel times and reducing the number of vehicle kilometres travelled within the CBD by offering more direct routes to where people need to go. The project enables a reduction in traffic on key city routes such as Spencer and King streets. Reducing unnecessary trips through the CBD will create opportunities to improve cycling, walking and public transport within and to Melbourne's CBD.

To ensure we appropriately capture the requirements of the community, a comprehensive program of stakeholder and community engagement was integrated into the project at the earliest possible stage. Our consultation has included seeking feedback on design options, walking and cycling paths, urban design and the topics being covered by the eventual Environment Effects Statement, which will come out early next year.

We have received thousands of individual pieces of feedback, and spoken directly to well over 1000 people through engagement to date and reached tens of thousands more through our extensive communications. In response to a range of inputs, we have progressed with a reference design that includes a long tunnel and additional Hyde Street ramp connections.

We continue to discuss the project with our communities and ensure tenderers and the specialists completing impact assessments take into account community and stakeholder views.

Moving north to the Brisbane market, where our network experienced solid performance last year driven by our two newest assets, Legacy Way and AirportLink. Traffic grew by 26% while revenue grew by 18%. This strong performance has continued into this quarter with traffic up 19.4% and revenue up 30.6%. Customers are seeing the benefits of these assets with Legacy Way users saving on average 17 minutes compared with Coronation Drive and 11 minutes compared to the Milton Road alternative.

On the development side, we are pleased with our progress after only two years in this market. We are in exclusive negotiations with the Queensland Government on the approximately \$450 million Logan Enhancement Project, which will contribute more than \$1.2 billion in economic benefits and more than 1,300 jobs during construction.

And most recently the Brisbane City Council announced that it has entered discussions with Transurban Queensland to assist in the \$80 million upgrade of the Inner City Bypass, which is the connection between our Legacy Way and Airportlink assets.

Both projects demonstrate the strength of the relationships we have built with our government partners.

Similarly to our US network, in Brisbane we have also been focused on improving our customer service with targeted initiatives. Examples of this include waiving the first toll invoice fee if a customer opens a prepaid account, a new First Time Forgiveness program, providing additional alerts to customers who have run out of credit, and finally a Hardship Policy to assist those customers who are experiencing financial difficulties. The combination of these initiatives will continue to improve our customer-service experience.

And finally to the Greater Washington Area in the USA, where our 495 and 95 Express Lanes assets continue to see ramp up. Traffic grew by 13 per cent and price driven revenue by 108 per cent last year, which is further evidence of the success of the unique Express Lanes concept. Customers in certain circumstances have saved up to two and half hours during a full south-bound trip on the 95 Express Lanes. While average time savings for the same rush hour journey range from 35 to 40 minutes. This ramp up has continued into this year with traffic up 11.5% and revenue up 24.1% for the quarter.

With the success of these projects, we are progressing two extensions to the south of the 95 Express Lanes as well as the 395 which will extend 11 kms north to the Washington DC border. In addition, we are currently in the final stages of a competitive process to design, build, finance, operate and maintain Express Lanes on the I-66, and we should hear from our client shortly about the outcome. All these projects work together to reduce congestion for the community in this corridor.

We are also working at the forefront of emerging vehicle technology in this market. We have a partnership with Virginia Tech – one of the largest transportation research institutes in the USA – and Virginia Department of Transport for a series of pilot programs aimed at informing practices and policies related to Connected and Autonomous Vehicles, or CAVs for short.

Our network was among the first facilities in the USA to host a test demonstration for CAVs in real-world conditions, with trials completed last October and this June. The second of these trials featured Transurban Board members as passengers so that they could see firsthand the opportunities and challenges of this technology. Our US business has also recently established a partnership with Audi and Range Rover to enhance the interaction between the roadway and CAVs.

We are building on these initiatives and we will be exploring the ways CAVs can interact with our Australian roads and roadside equipment. We will have more to say on this shortly and look forward to keeping you updated.

CAVs provide significant opportunities to improve safety and increase capacity on our networks. We are witnessing revolutionary advancements being made in our industry and we want to ensure we are strategically positioned to participate in these advancements.

Looking now to the coming years for Transurban. We are focused on growing a sustainable business. We have a pipeline of road widenings and new assets of approximately \$9 billion, with projects in each of our markets.

We are also actively assessing the next generation of projects, as our cities continue to grow. As I have already mentioned, increases in population and urbanisation will drive increased congestion if not managed, so it is critical that governments continue to plan appropriately for the future.

There are a significant number of new opportunities in our markets, with projects like the Western Harbour Crossing, Northern Beaches Link and the potential sell down of Westconnex in Sydney and the North East link in Melbourne to name a few, being considered by governments. And despite the volatility surrounding the US presidential elections next month, we are pleased that both sides have committed to an increased infrastructure program including involving the private sector.

All of this activity across our markets further reinforces the many facets of our business, and how we are actively contributing to improve our cities. Our strategy remains unchanged, and it continues to underpin how we work with our government partners to help cities solve their transport challenges.

While our strategy is unchanged, our capabilities have been greatly enhanced through continual investment and development of our employees.

As Lindsay has already mentioned, we have transitioned from a passive, single-asset entity in the 1990s, to the dynamic, multi-network, technology and engineering-focused business that you see today.

Now our ability to generate inflation-linked earnings is critical for you our investors, but it is the work that we do in the operations of our networks and positioning for the future that I believe sets us apart from our competitors and make us a partner of choice for governments.

Back to Lindsay.